

Message Text

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ACTION AF-18

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FOR DEPASSTSEC SMITH (AF) FROM AMB

E.O. 11652: N/A

TAGS: EFIN, SU

SUBJ: EXIM AND THE SUDAN: CHANGE IN US POLICY?

1. EXIM ATTITUDE: DURING PAST TWO WEEKS GOS AND SUDANESE BUSINESSMEN HAVE LEARNED OF EXIM TURNDOWN OF AT LEAST TWO PROPOSALS--\$2 MILLION FOR ROAD EQUIPMENT (KHARTOUM 2462) AND \$80 MILLION FOR A LUNHOR SUGAR PROJECT (STATE 223047). GOS OFFICIALS NEGOTIATING POSSIBLE \$20 MILLION PURCHASE GM LOCOMOTIVES ALSO SENSE THAT EXIM FINANCING MAY NOT BE FORTHCOMING FOR THAT TRANSACTION (AS INDICATED STATE 213431).

2. CHICKENS AND EGGS: AS YOU KNOW, THERE HAVE BEEN CONTINUING DISAGREEMENTS BETWEEN EXIM AND STATE/EMBASSIES CONCERNING USG EMPHASIS ON EXPORT PROMOTION VERSUS EXIMS INTERPRETATION OF A CONGRESSIONAL MANDATE TO HAVE "REASONABLE" ASSURANCES OF REPAYMENT. PROPOSED EXIM LOANS/GUARANTEES TO SUDAN ARE NO EXCEPTION. FROM BANKING POINT OF VIEW, LEVEL OF SUDAN'S FOREIGN OBLIGATIONS AND ITS DEBT SERVICING ABILITY MUST GIVE PAUSE. AT SAME TIME, SUDAN NEEDS FOREIGN LOANS ON AS CONCESSIONAL A BASIS AS POSSIBLE FOR LEGITIMATE DEVELOPMENT PROJECTS IF IT IS TO EARN FOREIGN EXCHANGE TO SERVICE THE DEBTS. THIS CHICKEN-EGG PROBLEM IS ONE I HOPE WE CAN DISCUSS AT NEXT CHIEFS OF MISSION MEETING AND I WILL BE PREPARED TO COMMENT FROM SUDAN PERSPECTIVE.

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3. CURRENT POLITICAL IMPLICATION: AT PRESENT TIME, HOWEVER, WE ARE FACING AN ADDITIONAL RELATED PROBLEM. WE ARE HEARING AN INCREASING NUMBER OF COMMENTS BY HIGH-LEVEL GOS OFFICIALS AND SUDANESE BUSINESSMEN TO THE EFFECT THAT RECENT EXIM "WITHDRAWALS" AND OTHER INDICATIONS OF A RESERVED EXIM POSTURE TOWARD THE SUDAN ARE INDICATIVE OF A "CHANGE IN U.S. POLICY" I.E. THE MIDDLE EAST CONFLICT AND (BY EXTENSION) OUR SUPPORT OF ISRAEL HAVE CAUSED USG REASSESS ITS WILLINGNESS EXTEND CREDITS TO SUDAN. WE STRESS, OF COURSE, THAT SUCH A CONCLUSION IS ABSOLUTELY FALSE. HOWEVER, THE COINCIDENCE OF RECENT EXIM DECISIONS WITH THE MIDDLE EAST CONFLICT (COMBINED WITH ORGANIZATIONAL CHANGES WITHIN EXIM) HAVE LED TO RUMORS WHICH ARE DECIDELY INIMICAL TO OUR POLITICAL INTERESTS. I AM UNINFORMED WHETHER SAME PROBLEM IS ARISING WITH OTHER COUNTRIES IN THIS REGION. HOWEVER, I HOPE WE CAN GET SOME POLITICAL INPUT INTO THE EXIM DECISION PROCESS WHICH WILL PERMIT EXIM TO BE FORTHCOMING ON THE LOCOMOTIVES OR--AT LEAST--ON THE ROAD EQUIPMENT IN ORDER TO DEMONSTRATE THAT SUDANESE ASSUMPTIONS CONCERNING A POLITICAL CHANGE IN US POLICY ARE UNFOUNDED.

BREWER

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